

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-10 LAB-04  
NSAE-00 SIL-01 PA-01 ICA-11 OMB-01 TRSE-00 /049 W  
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FM AMEMBASSY SINGAPORE  
TO SECSTATE WASHDC 625  
INFO AMEMBASSY JAKARTA  
AMEMBASSY KUALA LUMPUR

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C O R R E C T E D C O P Y A D D E O T A G S S U B J

E.O. 11652: N/A  
TAGS: ELAB, SN  
SUBJECT: NATIONAL WAGES COUNCIL RECOMMENDATIONS

1. BEGIN UNCLASSIFIED. SUMMARY: NATIONAL WAGES COUNCIL  
GUIDELINES FOR JULY 1978 THROUGH JUNE 1979, ANNOUNCED  
JUNE 29 AND PUBLISHED IN JUNE 30 PRESS, PROVIDE FOR WAGE  
INCREASES OF \$12 (MONTHLY) PLUS 6 PERCENT, WITH FULL  
OFFSETTING OF GROUP BASED SALARY INCREMENTS OF PAST  
YEAR. STATED RATIONALE OF FORMULA WHICH BENEFITS  
LOW INCOME WORKERS IS "TO INCREASE SUPPLY OF WORKERS FOR  
THE MANUFACTURING SECTOR." GRANTING OF INCREASES TIED  
TO PRODUCTIVITY, AND DESIGNED TO DISCOURAGE JOB-HOPPING.  
GUIDELINES ALREADY ACCEPTED BY PRINCIPAL EMPLOYERS'  
GROUPS AS "PRAGMATIC AND FAIR."

2. NWC APPARENTLY CONSIDERED BOTH GDP GROWTH OF 7.8  
PERCENT IN 1977 AND CONSUMER PRICE INDEX RISE OF 5.1  
PERCENT IN FIRST FOUR MONTHS OF 1978 COMPARED TO A YEAR  
AGO. BECAUSE OF OFFSETTING, ACTUAL WAGE INCREASES  
ESTIMATED BY BUSINESS TIMES TO BE IN TWO TO FIVE  
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PERCENT RANGE, WITH MOST COMPANIES' WAGE BILL THREE  
PERCENT HIGHER.

3. FORMS OF REMUNERATION INCLUDED IN OFFSETTING PRO-  
VISION INCLUDE ANNUAL AND MERIT INCREMENTS, COLLECTIVE  
AGREEMENT WAGE ADJUSTMENTS, PRORATED BONUSES AND  
ANNUAL WAGE SUPPLEMENTS. PROMOTION INCREMENTS, CPF

(SOCIAL SECURITY) CONTRIBUTIONS BY EMPLOYERS, OVERTIME PAYMENTS AND FRINGE BENEFITS ARE EXCLUDED. OFFSETTING MAY RESULT IN NO WAGE INCREASE FOR SOME, BUT DECREASES SPECIFICALLY ABJURED. NWC RECOMMENDS WITHHOLDING INCREASES IF PERFORMANCE (MEASURABLE PRODUCTIVITY OR WORK HABITS) UNSATISFACTORY, OR IF EMPLOYEE HAS BEEN ON JOB LESS THAN ONE YEAR (UNLESS JUSTIFIED BY SPECIFIC CIRCUMSTANCES).

4. GUIDELINES FOR NEW AND RENEWED CONTRACTS SUGGEST SIX TO EIGHT PERCENT INCREASE IN TOTAL WAGE BILL FOR BARGAINABLE EMPLOYEES UNLESS INCREASED PRODUCTIVITY JUSTIFIES "ENHANCED PAYMENTS TO DESERVING EMPLOYEES." REPORT RECOMMENDS OFFSETTING OF ANNUAL INCREMENTS AND BALANCING WAGE AND FRINGE BENEFIT LEVELS, ADOPTION OF MERIT/DEMERIT SCHEME, FREEZE ON FRINGE BENEFITS, AND BONDING OF EMPLOYEES WHO RECEIVE ADVANCED TRAINING AT EXPENSE OF EMPLOYER.

5. AS IN PAST, GUIDELINES DO NOT APPLY TO NON-UNIONIZED MANAGERIAL AND EXECUTIVE EMPLOYEES IN PRIVATE SECTOR, OR TO "NON-BARGAINABLE" EMPLOYEES IN PUBLIC SECTOR, ALTHOUGH REPORT ADVISES RESTRAINT AT TOP LEVELS IN INTERESTS OF "INDUSTRIAL MORALE." GUIDELINES APPLY TO BOTH NON-UNIONIZED AND UNIONIZED WORKERS.

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6. IN PRESS INTERVIEWS (BUSINESS TIMES AND STRAITS TIMES OF JUNE 30) PRESIDENT OF SINGAPORE EMPLOYERS FEDERATION WELCOMED GUIDELINES AS "FAIR AND PRAGMATIC;" HE AND CHAIRMAN OF SINGAPORE MANUFACTURERS ASSOCIATION EXPRESSED HOPE THAT INCREASED PRODUCTIVITY WOULD ACCOMPANY HIGHER WAGES. BOTH HOPED HIGHER WAGES FOR LOWER INCOME WORKERS WOULD EASE LABOR SHORTAGE IN MANUFACTURING SECTOR. EMPLOYERS IN GENERAL WELCOMED EMPHASIS ON INCREASED PRODUCTIVITY AND DISINCENTIVES TO JOB-HOPPING. NTUC, IN ACCEPTING GUIDELINES, SUPPORTED RAISING INCOME OF LOWEST PAID WORKERS. END UNCLASSIFIED.

7. BEGIN LIMITED OFFICIAL USE. IN DISCUSSION WITH EMBOFFS, MEMBERS OF AMERICAN BUSINESS COUNCIL ALSO WELCOMED GUIDELINES AS REASONABLE AND CONFORMING TO EXPECTATIONS. THEY CONFIRMED PRESENT SHORTAGE OF FACTORY WORKERS, AND PERSISTENT PROBLEM OF HIGH TURNOVER ESPECIALLY IN ELECTRONICS INDUSTRY. THEY ALSO CONFIRMED EXPECTATION IN NEW NATION STORY THAT SOME MARGINAL FIRMS MAY BE FORCED TO CLOSE BECAUSE OF INABILITY TO MEET HIGHER WAGES COST.

SOME BELIEVE GOVERNMENT MAY DELIBERATELY INTEND TO  
FORCE MARGINAL PRODUCERS, ESPECIALLY IN LOW PRODUCTIVITY,  
LOW TECHNOLOGY INDUSTRIES WITH LIMITED EXPORT  
PROSPECTS, SUCH AS TEXTILES, TO CLOSE, THUS FREEING  
LABOR FOR MORE PRODUCTIVE USE. EMBASSY VIEW IS THAT  
EMPLOYERS HAVE GOOD REASON FOR THEIR SATISFACTION  
WITH GUIDELINES, AND IN VIEW OF CLOSE NTUC-GOVERNMENT  
PARTNERSHIP, AND PARTICIPATION OF TOP NTUC LEADERSHIP  
IN NWC, UNIONS WILL CONTINUE TO ACCEDE TO MODEST IN-  
CREASES IN REAL WAGES PROVIDED BY NWC GUIDELINES.  
PRESS COVERAGE OF REPORT AND REACTIONS BEING POUCHED.  
INGRAHAM

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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